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TAGS: ETRD, EEWT, XX, UR
SUBJECT: SOVIET FOREIGN TRADE IN FIRST HALF OF 1978

REF: MOSCOW 14110

SUMMARY. SOVIET TRADE STATISTICS FOR FIRST HALF OF
1978 SHOW SLIGHT DROP IN EXPORTS TO DEVELOPED WESTERN

COUNTRIES AND AN INCREASE IN IMPORTS FROM THESE COUNTRIES OF 6.5 PERCENT. SOVIET HARD CURRENCY TRADE DEFICIT, ACCORDING TO EMBASSY CALCULATIONS, WAS \$3125 MILLION, OF WHICH \$2720 MILLION WAS WITH DEVELOPED WEST. TRADE WITH U.S. ROSE 17.8 PERCENT OVER FIRST HALF OF 1977, WITH INCREASE ACCOUNTED FOR ENTIRELY BY 25 PERCENT RISE IN IMPORTS (TO \$1538 MILLION), WHILE EXPORTS TO U.S. FELL BY 26.4 PERCENT. AMONG MAJOR WESTERN TRADING PARTNERS, STATISTICS RECORD INCREASED SOVIET IMPORTS FROM U.K., ITALY, WEST GERMANY, AND FRANCE (76,13.3, 7.8, AND 4.9 PERCENT, RESPECTIVELY). IN CONTRAST TO 1977, WHEN JAPANESE GAINED GREATER SHARE OF SOVIET MARKET, IMPORTS FROM JAPAN WERE DOWN 7 PERCENT. SOVIETS INCREASED EXPORTS TO FRG BY 22.2 PERCENT, AND STATISTICS SHOW MODEST INCREASES IN EXPORTS TO FRANCE AND ITALY OF 4.2 AND 3.4 PERCENT, RESPECTIVELY. EXPORTS TO JAPAN FELL BY 20.5 PERCENT, TO THE U.K. BY 13 PERCENT. TRADE WITH "SOCIALIST" COUNTRIES CONTINUES TO SHOW FASTEST RATE OF INCREASE (11.5 PERCENT OVERALL) WITH IMPORTS UP 14.6 PERCENT. TRADE WITH "DEVELOPING COUNTRIES" FELL BY 2.9 PERCENT OVERALL, WITH IMPORTS DECLINING BY 6 PERCENT. END SUMMARY.

1. SOVIET FOREIGN TRADE TURNOVER FOR FIRST HALF OF 1978 WAS 34,481 MILLION RUBLES (\$51,239 MILLION AT THE CURRENT OFFICIAL EXCHANGE RATE OF 1R EQUALS \$1.486), LIMITED OFFICIAL USE

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UP 7.3 PERCENT FROM THE FIRST HALF OF 1977. EXPORTS AMOUNTED TO R16,846 MILLION, UP 4.7 PERCENT, WHILE IMPORTS ROSE 9.8 PERCENT TO R17635 MILLION. TRADE TURNOVER WITH "SOCIALIST" COUNTRIES ROSE BY 11.5 PERCENT TO R20,643 MILLION, WITH IMPORTS 14.6 PERCENT HIGHER THAN IN FIRST HALF OF 1977 AND EXPORTS UP 9.4 PERCENT. TRADE TURNOVER WITH "INDUSTRIAL CAPITALIST COUNTRIES" ROSE BY 3.5 PERCENT OVERALL TO R9773 MILLION (\$14,523 MILLION), BUT EXPORTS DECLINING 2.3 PERCENT TO R3,933 MILLION (\$5,844 MILLION) WHILE IMPORTS ROSE 7.9 PERCENT TO R5,840 MILLION (\$8,678 MILLION). TRADE WITH LDCS FELL OVERALL BY 2.9 PERCENT TO R4,065 MILLION (\$6,041 MILLION), WITH A FALL IN IMPORTS OF 6 PERCENT.

2. TRADE WITH DEVELOPED WEST. SOVIET IMPORTS FROM WESTERN DCs AS A GROUP INCREASED UNEVENLY BY 6.5 PERCENT, REVERSING THE SLIGHT DECLINE THAT OCCURRED DURING THE FIRST QUARTER. IMPORTS FROM U.K. LEVELED OFF FROM SURGE DURING FIRST QUARTER, BUT CONTINUE TO SHOW GREATEST RATE OF INCREASE AMONG MAJOR WESTERN PARTNERS, UP 76 PERCENT TO R353.1 MILLION (\$524.7 MILLION). IMPORTS FROM U.S. WERE 25 PERCENT HIGHER THAN IN FIRST HALF OF 1977,

AMOUNTING TO \$1538 MILLION, WHILE EXPORTS FELL 26.4 PERCENT TO \$149.2 MILLION. RISES WERE RECORDED IN IMPORTS FROM THE FRG, UP 7.8 PERCENT TO R1039.3 MILLION (\$1,544.4 MILLION); ITALY, UP 13.3 PERCENT TO R437 MILLION (\$649.3 MILLION); AND FRANCE, UP 4.9 PERCENT TO R496 MILLION (\$737 MILLION). IMPORTS FROM JAPAN WERE DOWN 7 PERCENT TO R788 MILLION (\$1,171 MILLION). SHARP DECREASES, IN PERCENTAGE TERMS, WERE RECORDED IN IMPORTS FROM SECOND-LEVEL TRADING PARTNERS (SWEDEN, THE NETHERLANDS, DENMARK).

3. SOVIET EXPORTS TO WESTERN DCS WERE VIRTUALLY STAGNANT, FALLING BY ABOUT .5 PERCENT, BUT PERFORMANCE OF INDIVIDUAL COUNTRIES WAS UNEVEN. SOVIET EXPORTS TO FRG, FOR LIMITED OFFICIAL USE

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EXAMPLE, ROSE 22.2 PERCENT TO R634.3 MILLION (\$942.6
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MILLION), WHILE EXPORTS TO JAPAN FELL 20.5 PERCENT TO
R342.1 MILLION (\$508.4 MILLION) AND TO THE U.K. BY 13
PERCENT TO R356.1 MILLION (\$529.1 MILLION). EXPORTS TO
FRANCE AND ITALY ROSE BY 4.2 AND 3.4 PERCENT, RESPECTIVELY

4. ACCORDING TO EMBASSY CALCULATIONS, THE USSR'S HARD
CURRENCY TRADE DEFICIT DURING THE FIRST HALF OF 1978
WAS R2103.2 MILLION (\$3125 MILLION), OF WHICH R1830
MILLION (\$2719 MILLION) WAS ACCOUNTED FOR BY TRADE WITH
THE DEVELOPED WEST. THESE CALCULATIONS WERE MADE ON
BASIS OF CIA LIST OF SOVIET HARD CURRENCY TRADING PART-
NERS, BUT ESTIMATED HARD CURRENCY TRADE DEFICIT MAY BE
SLIGHTLY UNDERSTATED BECAUSE OF ABSENCE OF SOVIET TRADE
STATISTICS FOR SOUTH AFRICA AND A NUMBER OF DEVELOPING
COUNTRIES.

5. TRADE WITH CEMA COUNTRIES. STATISTICS CONTINUE TO
SHOW MORE RAPID INCREASE IN SOVIET IMPORTS THAN IN
EXPORTS, BUT DIFFERENCE IN RATES OF INCREASE IS SMALLER
THAN AFTER FIRST QUARTER, AND SOVIETS STILL HAVE AN
"EXPORT SURPLUS" IN THEIR FAVOR. TRADE TURNOVER ROSE
11.9 PERCENT TO R19,129 MILLION, IMPORTS 14.6 PERCENT
TO R9,464 MILLION, AND EXPORTS 9.5 PERCENT TO R9,666
MILLION. MOST INTERESTING DEVELOPMENT WAS FACT THAT
INCREASED TRADE WITH CUBA ACCOUNTED FOR 38.1 PERCENT
OF THE INCREASE IN SOVIET IMPORTS FROM CEMA PARTNERS,
AND 25.2 PERCENT OF THE INCREASE IN EXPORTS TO THEM.
IMPORTS FROM CUBA ROSE 33.9 PERCENT TO R1,847.2MILLION,
EXPORTS 26.2 PERCENT TO R1,019 MILLION;
TURNOVER IS NEARLY THREE-QUARTERS OF TOTAL CALLED FOR IN
BILATERAL TRADE PROTOCOL. SOVIET EXPORTS TO POLAND
DECLINED 2.6 PERCENT TO R1,619.4 MILLION, WHILE IMPORTS
ROSE 12.9 PERCENT TO R1570.4 MILLION. REDUCTION IN

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SOVIET "SURPLUS" WITH POLAND OF 223 MILLION FAR GREATER THAN COMPARABLE REDUCTIONS FOR OTHER EAST EUROPEAN COUNTRIES, PROBABLY REFLECTING PAYMENT FOR SOVIET CREDIT EXTENDED IN 1976. REDUCTION IN "SURPLUS" WITH POLAND ACCOUNTS FOR MORE THAN 60 PERCENT OF OVERALL REDUCTION OF "SURPLUS" WITH CEMA PARTNERS.

6. STATISTICS FOR OTHER EE COUNTRIES AS FOLLOWS: GDR, SOVIET EXPORTS OF R1995 MILLION, UP 9.6 PERCENT, IMPORTS OF R1,741 MILLION, UP 14.9 PERCENT; HUNGARY, EXPORTS OF R1,175 MILLION, UP 7 PERCENT, IMPORTS OF R1,043 MILLION, UP 12.1 PERCENT; CZECHOSLOVAKIA, EXPORTS OF R1,483 MILLION, UP 12.3 PERCENT, IMPORTS OF R1,370 MILLION, UP 13 PERCENT; BULGARIA, EXPORTS OF R1,563 MILLION, UP 16.8 PERCENT, IMPORTS OF R1,365 MILLION, UP 8.2 PERCENT; ROMANIA, EXPORTS OF R495 MILLION, UP 4.3 PERCENT, IMPORTS OF R501 MILLION, DOWN 6 PERCENT.

7. OTHER "SOCIALIST" COUNTRIES. SOVIET TRADE TURNOVER WITH YUGOSLAVIA CONTINUES TO SHOW ONLY SLIGHT INCREASE, RISING 3.6 PERCENT. EXPORTS ROSE 5.7 PERCENT, IMPORTS 1.1 PERCENT, WITH TRADE APPROXIMATELY IN BALANCE. TRADE WITH PRC UP 28 PERCENT FROM FIRST HALF OF 1977, WITH SOVIET IMPORTS RISING 40.1 PERCENT TO R69 MILLION, IMPORTS 14.9 PERCENT TO R50.8 MILLION. TRADE WITH VIETNAM SHOWS DECLINE IN SOVIET EXPORTS OF 4.8 PERCENT TO R147.9 MILLION, AND INCREASE IN IMPORTS OF 17 PERCENT TO R66.8 MILLION.

8. DEVELOPING COUNTRIES. OVERALL TRADE WITH LDCS DECLINED 2.9 PERCENT TO R4,065 MILLION. EXPORTS WERE STAGNANT AT R2,442 MILLION, WHILE IMPORTS DECLINED 6 PERCENT TO R1,623 MILLION. LARGE INCREASE IN TRADE WAS REGISTERED WITH IRAQ, WITH SOVIET EXPORTS RISING 74.6 PERCENT TO R224 MILLION, IMPORTS 21.3 PERCENT TO R241 MILLION. BILATERAL TRADE THUS IS NEARLY IN BALANCE, LIMITED OFFICIAL USE

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AS OPPOSED TO R70 MILLION IRAQI SURPLUS THROUGH FIRST SIX MONTHS OF 1977. SOVIET IMPORTS FROM ARGENTINA MORE THAN DOUBLED TO R199 MILLION, WHILE IMPORTS FROM BRAZIL FELL 67.5 PERCENT TO R79 MILLION. SOVIET EXPORTS TO ETHIOPIA, NEGLIGIBLE IN FIRST HALF OF 1977, WERE

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R46 MILLION. SOVIET EXPORTS TO ANGOLA WERE UP 51.2

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PERCENT TO R30.4 MILLION.

9. COMMENT: MOST STRIKING ASPECTS OF SIX-MONTH TRADE STATISTICS ARE STAGNATION OF SOVIET EXPORTS TO WESTERN DCS AND THE INCREASE IN IMPORTS FROM THOSE COUNTRIES AFTER A SLIGHT REDUCTION IN THE FIRST QUARTER. SLACK MARKETS FOR MAJOR SOVIET EXPORTS, ESPECIALLY CHEMICALS, MAY ACCOUNT IN PART FOR FAILURE TO INCREASE SALES. SURGE IN EXPORTS TO FRG STANDS IN CONTRAST TO SMALL INCREASES OR DECLINES IN EXPORTS TO OTHER MAJOR WESTERN PARTNERS. WITH EXCEPTION OF JAPAN, HOWEVER, EXPORTS TO MAJOR WESTERN PARTNERS DID INCREASE, WHILE SHARP DECREASES, IN PERCENTAGE TERMS, WERE RECORDED WITH SECOND-LEVEL PARTNERS (SPAIN, THE NETHERLANDS, DENMARK).

10. WITH RESPECT TO IMPORTS, APPARENT INCREASE SHOULD BE TREATED WITH CAUTION BECAUSE OF DISCREPANCIES BETWEEN SOVIET STATISTICS AND THOSE PROVIDED BY WEST EUROPEAN GOVERNMENTS. FOR EXAMPLE, WHILE SOVIET STATISTICS SHOW LARGE PERCENTAGE INCREASE IN UK EXPORTS AND VIRTUALLY BALANCED TRADE THROUGH FIRST SIX MONTHS, BRITISH EMBASSY FIGURES SHOW UK EXPORTS OF R295.7 MILLION, 19 PERCENT LESS THAN THE SOVIET STATISTICS, AND A U.K. DEFICIT OF R95.2 MILLION. SIMILARLY, FRENCH AND ITALIAN FIVE-MONTH STATISTICS SHOW DECLINES OF 27 AND 23 PERCENT, RESPECTIVELY, IN EXPORTS TO THE USSR, AS OPPOSED TO COMPARABLE SOVIET STATISTICS REPORTING 4.9 AND 13.3 PERCENT INCREASES.

11. ALTHOUGH TREND TOWARD BALANCING IN INTRA-CEMA TRADE APPEARS TO BE REFLECTED IN THE SIX-MONTH DATA, MOST OF THE DECREASE IN THE SOVIET "SURPLUS" RESULTED FROM LIMITED OFFICIAL USE

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THE NEAR BALANCING OF SOVIET-POLISH TRADE AND THE VERY LARGE INCREASE IN SOVIET IMPORTS FROM CUBA, FROM WHICH THE SOVIET UNION HAS BEEN IMPORTING MORE THAN IT EXPORTS. CZECHOSLOVAKIA'S "DEBT" TO THE USSR REMAINED ABOUT THE SAME AS IN THE FIRST SIX MONTHS OF 1977, AND BULGARIA'S INCREASED BY R120 MILLION, SUGGESTING THAT THESE COUNTRIES EITHER ARE HAVING TROUBLE FINDING PRODUCTS TO PROVIDE THE SOVIET MARKET OR THAT THE USSR IS EXTENDING THEM ECONOMIC ASSISTANCE IN THE FORM OF DEFERRED EXPORTS TO THE SOVIET UNION. GARRISON

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